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International Economic Distress and the Third World

HARRY MAGDOFF

Marxism for the Few

DOUG DOWD

The Taiwanese "Economic Miracle"

SAM WYNN

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NOTES FROM THE EDITORS

As we go to press, sales of *Protest and Survive* have passed the 10,000 mark which makes it one of the fastest selling books in the history of MR Press. This record has been achieved with a minimum of promotion. As we reported in this space in February, however, we have been collecting money for a publicity/promotion campaign which will be launched to coincide with the period of intensive preparations for the special session on disarmament of the UN General Assembly in June. We would like to urge all MR subscribers and readers to become active participants in this campaign. Study *Protest and Survive*, talk about and recommend it to your friends and acquaintances, get organizations or groups to which you belong to place bulk orders—any organization can request a free copy with an order for ten or more copies at 40 percent off the list price of $4.95 (10 copies for $29.70 prepaid).

(continued on inside back cover)

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INTERNATIONAL ECONOMIC DISTRESS AND THE THIRD WORLD

By Harry Magdoff

Two themes have become standard components of the flood of economic analyses pouring out these days. One is that the world's economy has become unprecedentedly interdependent. The other is that the international economy is under growing stress. Although there are reasonable grounds for both of these statements, it is equally true that as usually formulated they obscure more than they reveal.

First, the concept of interdependence ignores the enormous chasm between the metropole and the periphery. The concept of interdependence is clearly applicable to the relations among the leading capitalist countries, but the ties that bind the Third World to the core nations are those of *dependence* rather than interdependence. The intricate economic and political links between the advanced countries of the center and the periphery are channels of exploitation of the weak by the strong. Under today's conditions they provide the means whereby a not inconsiderable share of the burdens of the crisis are shifted to the shoulders of the underdeveloped nations.

As for the second theme, the conventional analysis sees the current distress as produced by a sort of virus that has

This is a reconstruction from notes of a talk given at the Continental Meeting on Agrarian Reform and Peasant Movements, December 4, 1981, in Managua, Nicaragua.

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temporarily infected the entire economic organism. What this metaphor obscures is that the virus in question has attacked an already diseased body and that the ills that now beset the capitalist world are deeply rooted in the nature of the system. Since what happens in the Third World is so decisively influenced by developments in the metropoles, we will begin with a review of the background and main features of the current crisis at the center, with special attention to the United States. This will be followed by an examination of the constraints imposed by these developments on the Third World, using the problems of Latin America as the focus of our analysis.

The Background to the Present Crisis

Today's economic strains and tensions can best be understood if we keep in mind at all times that a *tendency* to stagnation is inherent in capitalism. This is of course not to deny that the long-term trend of productive forces and employment is one of strong growth. The point is that the upward trend emerges from cycles of prosperity and depression on the one hand and of alternating longer periods of buoyancy and stagnation on the other. These phases are intricately interrelated. Depressions result from the contradictions and distortions generated in the period of prosperity, and they generally set the stage for a renewed upswing. But the strength of the upswing depends on the presence or absence of special stimuli which derive from the historical conjunctions in which it occurs. If these stimuli are powerful, they can propel the economy to ever higher levels. On the other hand, if they are weak, the climb out of depression is slow and faltering. It is then that the normal tendency to stagnation takes over.

Just as the prosperity phase of the typical business cycle contains the seeds of the depression that follows, so the longer wave of rapid growth prepares the way for a protracted period of slow or no growth. The reason is that the special factors that induce the above-average growth rate eventually weaken or die out. In the absence of a new set of special stimuli, capitalist economies tend to slow down, resulting in persistent mass unemployment, reduction in living standards for a large section of the population, growing insecurity, and particularly severe difficulties for underdeveloped nations.

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The way this sequence unfolds is clearly illustrated by the course of events since the end of the Second World War. During the first 20 to 25 years after the war, economic growth was vigorous and persistent. But since then we have had, and are still in the midst of, a stagnating world economy. Each of these stages was of course influenced and molded by specific historical circumstances, but the underlying pattern is typical.

In general, long waves of especially rapid and sustained growth are initiated by one or a combination of the following factors: (1) The adoption and spread of major technological innovation one that induces massive capital investment, new kinds of infrastructure, relocation of population, etc. (2) Development of new markets by capitalist penetration of the periphery, either as a result of colonial expansion or the acquisition of spheres of influence. (3) Expansion of military industries in preparation for war. And (4) rebuilding of industries in the aftermath of war.

To an important extent all of these factors were present at the end of the Second World War, along with another major stimulus provided by the clear-cut hegemony of the United States over the imperialist world. The fact that *all* of these stimuli came together in a short period provided the momentum for one of the longest booms in the history of capitalism. Let us briefly review these developments.

(A) The war had ruined factories, farms, railroads, power installations, and large sections of cities. The reconstruction of war-devastated areas in Western Europe and Japan required a concentrated mobilization of material resources, labor, and capital investment. In the United States, the initial postwar stimulus was of another kind. During the war automobile manufacture and home construction for civilian use were prohibited in order to conserve raw materials and productive facilities for armaments needed to conduct a global war. Because of the absence of consumer durable goods and wartime wage/price controls, debts were paid off, workers accumulated savings, and capitalists stashed away profits in liquid form during this period. The combination of deferred demand and the financial wherewithal to satisfy it provided a propulsive force for a new wave of prosperity in the United States.

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(B) A new source of growth emerged in Western Europe and Japan with the spread of the mass use of private cars. Even in the United States, which had built up a mass-production car industry in the 1920s, the spread of the auto also left its mark on the postwar era as a much larger percentage of the population became owners. The proliferation of autos boosted investment in road-building and greatly stimulated demand for housing, business establishments, and other services to accommodate a shift in the population to the suburbs.

(C) Technological innovations generated by war demand provided the basis for new industries such as high-speed jet planes, improved means of communication, computers, and a wide range of electronic equipment and devices.

(D) Beginning with the Korean War, the United States committed itself to the construction and maintenance of a huge military machine. In effect this produced a major new industry– one that provided for mass manufacture of military equipment and that was in large measure integrated with civilian production. In addition, U.S. procurement during the Korean War gave a crucial impulse to the rapid growth of the West German and Japanese economies.

(E) The assumption by the United States of hegemony over the capitalist world provided both a degree of stability in the war-torn advanced industrial countries and led to the establishment of international institutions facilitating and financing economic growth. In this connection we should note the following:

(1) The framework was the straddling of the globe by U.S. military bases. This not only helped to maintain "peace and order" and cooperative governments in the Third World, but also served to keep the leading allies tied to the apron strings of the United States. Coincidentally, U.S. dollars spent to maintain armed forces and equipment abroad furnished foreign exchange to the host countries with which they were able to expand their imports and investments.

(2) The Marshall Plan and the subsequent flow of economic aid supported the creation of U.S. clients and protectorates and opened up opportunities for U.S. and other multinational firms and banks.

(3) The General Agreement on Trade and Tariffs

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(GATT) led to the reduction of trade barriers, thereby opening doors for an enormous expansion of international trade.

(4) The Bretton Woods agreements, by making the dollar "as good as gold," triggered the inundation of international money markets with dollars, which in turn furnished the liquidity for the growth of world trade. The World Bank and the International Monetary Fund, also created by the Bretton Woods agreements, contributed their part by supplying funds for the infrastructure needed by foreign investors and by providing the means for disciplining Third World countries.

The Turn from Prosperity

All of the above-listed stimulative factors ultimately either came to an end or their influence greatly diminished. Just as the conjunction of the props led to expansion, so the sequential lessening of their influence paved the way for the onset of stagnation. This can be seen as we briefly review what happened to each one of the props.

(A) The rebuilding of war-devastated countries has long been completed. The stimulation provided by the war-created pent-up demand in the United States petered out in the early 1950s.

(B) The rate of growth in the demand for automobiles has decisively shrunk. This is a normal development in almost all growth industries. In the early stages, the rate of increase in demand is very steep, inducing an accelerating growth of productive capacity. But as the potential market is increasingly satisfied, demand narrows down to meet primarily replacement needs and population growth. And with this the profit potential in expanding capacity evaporates, as do the secondary stimulative effects.

(C) The initial technological innovations have largely been absorbed. Although new technology is constantly emerging, thus far it has not been the kind that has widespread effect on general economic growth. In fact, a good deal of it, as in the case of automation machinery, leads to a contraction of employment opportunities.

(D) The arms program remains substantial, and under the Reagan administration is destined to become even larger.

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Yet its impact on economic growth is nowhere near that of the earlier build-up. In contrast to the earlier rise in military spending (in the 1950s and 1960s), this new round of expansion is heavily concentrated on sophisticated technology and does not seem to require major investment in new plant and equipment.

(E) The U.S. empire has been shrinking. Three changes have accounted for this decline. First, the defeat of the United States in the Vietnam War undermined its leadership role. Second, the emergence of strong powers in Western Europe and Japan cut U.S. industrial and economic predominance. Indeed, the very build-up of industrial capacity throughout the capitalist world during the boom years engendered a huge amount of excess capacity relative to demand, notably in steel, shipbuilding, autos, textiles, and petrochemicals. As a result, the allies the United States relies on have become major competitors in a world market that has lost its momentum. Third, the fast and loose ballooning of U.S. dollars in world markets has changed the privileged position granted to the dollar under Bretton Woods from an asset to a liability. Instead of the international spread of dollars being an aid to liquidity for world trade, it has become a medium for the worldwide generation of inflation and a contributor to international financial fragility. Rather than the stable exchange base the dollar once provided, it has been subject to recurrent speculative shocks since the early 1970s. In fact, the volatility of foreign exchange rates since the United States was forced to unilaterally abandon Bretton Woods has had a dampening effect on world trade.

The Spread of Stagnation

In the absence of strong enough new stimuli, the consequence of the petering out of the boom-producing props has been more than a decade of stagnation in the core capitalist countries. Thus, if we compare the rates of industrial growth in the United States, England, France, Germany, Japan, and Italy we find that in each of these countries the average annual rate of increase in the 1970s, and thus far in the 1980s, has been substantially below that of the 1950s and 1960s. Furthermore, in each of these countries we find the following features in the

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1970s compared with the 1960s: an increase in inflation, an increase in unemployment, an increase in unused manufacturing capacity, and a relative decrease in investment in plant and machinery. In response to these developments, competition among the capitalist powers has been heating up, bringing with it a rise in trade and tariff barriers and a tendency to strengthen economic spheres of influence.

The question remains: How do these countries manage to hold things together and continue even slow growth in the face of stagnation? The answer, as far as the United States is concerned, is an explosion of debt. Consumer buying is supported by loans to consumers. Business firms carry on by borrowing. Banks and other financial institutions have themselves become large borrowers in order to supply more loans to business firms, consumers, and speculators. And the federal government lives on deficits, in good as well as in bad times. All this provides the fuel of inflation. In fact, persistent inflation and ever-mounting debt have become interdependent supports of the U.S. economy. While the ballooning of debt feeds the fires of inflation, the ability of more and more borrowers to carry debts, especially in light of unprecedentedly high interest rates, is made possible by continuing inflation.

The road on which such an economy travels is naturally full of pitfalls. The rapid occurrence of U.S. recessions in successive years at the outset of the 1980s is but one of the danger signals of a potential depression. Actually there have already been no fewer than four serious credit crises since 1964 which have threatened the stability of the U.S. financial system. During each of these crises order of a sort was restored by the government's lifting restrictions on further debt expansion and feeding funds to large banks and business firms. But the cost was high: an increasingly fragile financial structure and exceptionally high interest rates. The latter are in part a response to the incessant pressure for credit by banks, business firms, consumers, and the government. But they are also supported by government and Federal Reserve policies which desperately try to steer a tenuous course between deep depression and runaway inflation.

It is important to recognize that there is still another motive for keeping interest rates high, namely, to protect the

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international value of the dollar. Attractive interest rates draw foreign funds to U.S. investments and banks, thus creating demand for dollars in international exchange markets. But the consequence of this practice has been an interest-rate war between the leading capitalist countries, as each one lifts its rates to prevent a flight of capital to another higher-interest-rate country.

The Impact on the Third World

Stagnation at the center - the slowing up of world trade, the spread of protectionism, and high interest rates - has heaped new burdens on the Third World. The standard explanation for the difficulties in the Third World is to put the blame on the jump in oil prices and the resulting debt burdens of the underdeveloped oil-importers. There is no question that the hike in oil prices aggravated balance-of-payments deficits in the periphery. But what is not generally understood is that the higher cost of oil merely intensified problems of long standing. Thus, to take Latin America as a leading example, the external public debt of these countries, adjusted for price increases, grew at an annual rate of 16.4 percent from 1970 to 1979. On the other hand, the annual percentage increase was already 8 percent between 1960 and 1970 - long before the upward leap in oil prices.*

What needs to be understood is that the long-term rise in debt has been caused by more basic pressures than oil - pressures that stem from the nature of the relationship between the periphery and the core. The foundation of this relationship did not change after the drastic rise in oil prices and has remained the most important cause of the perpetual deficits and the deepening debt peonage of the Third World.

We can see this from an examination of the balance of payments on current account for all Latin America and the Caribbean (except Cuba). This balance sheet includes all foreign transactions other than movements of capital (i.e., foreign investment and credit). We will compare the behavior of the balance separately for 1968 to 1973 and 1974 to

*Inter-American Development Bank, *Economic and Social Progress in Latin America, 1980-81*, p. 95.

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1979 – that is, before and after the major change in oil prices. The relevant information is summarized in Tables 1 and 2 (see pp. 11, 12). But to understand these tables better we will first explain in greater detail the first column of Table 1: the combined current account balance for 1968 to 1973 for all Latin American and Caribbean countries other than Cuba. The numbers in the following presentation, as in the tables, represent billions of dollars.

1. The major transactions with the rest of the world take place in the area of merchandise trade where we find:

Income from exports	+ 95.8
Outlay for imports	– 93.2
Net balance	+ 2.6

Hence, trade in merchandise was positive for all of Latin America and the Caribbean in the six years before the oil rise.

2. But few Latin American countries own merchant fleets and insurance companies. These resources are concentrated in the core countries. Therefore a deficit arises in transactions involving freight and insurance costs, a deficit that is larger by far than trade surplus.

Income from abroad to native freight carriers and insurance firms	+ 1.7
Payments to foreign firms for freight and insurance	– 8.1
Net balance	– 6.4

3. The most important source of deficit, however, is the outflow of payments to foreign investors and banks.

Income arising from dividends and interest generated by investments abroad	+ 2.3
Payments of dividends and interest to foreign investors and banks	– 21.5
Net balance	– 19.2

4. In addition there are a multitude of transactions which are here combined to simplify the presentation of the basic issue. The items included in this catchall category are listed in a footnote to Table 1. The balance in this group is as follows:

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Income from abroad for all other items	+ 27.9
Outflow of payments for these items	− 26.0
Net balance	+ 1.9

5. Adding up the net balances of the above four categories we get the total deficit of $21.1 billion as shown in Table 1.

What this tabulation demonstrates is the simplest of truths about the bondage of Latin America, and other Third World countries as well, to foreign capital. The deficits in the pre-oil-hike years were due exclusively to the outflow of payments to foreign owners of merchant fleets, insurance companies, banks, and business investments in Latin America. This has been a characteristic pattern for a very long time and is typical of practically every country in the area, though naturally the degree of dependence varies from nation to nation.

Now let us turn to the oil-cost issue. For the sake of comparison we separate the oil-exporting and the oil-importing countries in the two tables. Before 1974 the differences between the two groups of countries were not significant, as can be seen by inspecting Table 1. The positive balance of merchandise trade was smaller for the oil importers than for the oil exporters. But in both categories the deficits were accounted for in comparable degree to tribute paid to foreign capital.

After 1974, on the other hand, a striking change does occur. As can be seen from Table 2, instead of a small surplus in merchandise trade the oil importers now have a whopping deficit. But this alone would not have put them in the fix they are now in were it not for the deficits on account of freight, insurance, dividends, and interest. Payment to foreign capital accounts for over 70 percent of the total deficit in the current account balance of payments. True, service on the debt undertaken to pay for oil imports helps to swell the outflow of dividends and interest from $9.7 billion in the six years prior to 1974 to $31.5 billion in the following six years. But significantly enough a substantial increase in the payments to foreign capital occurred in the oil-exporting countries as well.

It should be noted that not all the oil producers exported

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TABLE 1.
LATIN AMERICA AND THE CARIBBEAN (except Cuba)
BALANCE OF PAYMENTS ON CURRENT ACCOUNT
1968 to 1973

Net Balance on	*All Countries*	*Oil Exporters**	*Oil Importers*
	------billions of dollars------		
Merchandise Trade	+ 2.6	+ 1.9	+ 0.7
Freight and Insurance	− 6.4	− 2.9	− 3.5
Dividends and Interest**	− 19.2	− 9.5	− 9.7
All other items***	+ 1.9	+ 3.0	− 1.1
Total	− 21.1	− 7.5	− 13.6

*The countries combined under "oil exporters" are those that exported oil for some or all years after the oil price hike at the end of 1973: Bolivia, Ecuador, Mexico, Peru, Trinidad and Tobago, and Venezuela.

**This category is called "investment income" in the official balance-of-payments accounts. It includes interest on loans, securities, and deposits; and dividends on shares and profits of enterprise.

***"All other items" includes: payments for transportation other than freight; travel expenses; expenditures by diplomats and military personnel; professional and technical services, motion picture rentals, authors' royalties, etc.; remittances of migrants to their families, contributions for missionary, charitable, and similar purposes; and economic aid and grants by governments.

Source for Tables 1 and 2: Calculated from balance-of-payments data as follows. Data from 1973 to 1977 came from Inter-American Development Bank, *Economic and Social Progress in Latin America, 1980-81 Report*. The data for other years are calculated from tables based on computer tapes of the IMF Balance of Payments Accounts, supplied by the Inter-American Development Bank.

oil in each of the years from 1974 to 1979. For example, Mexico first began to export oil in 1975 and Peru in 1978. The significance of this classification is that these countries were not affected by the cost of importing oil during most of the period. A number of them did of course benefit substantially by exporting oil. At the same time, their spending on imports climbed also. Nevertheless, on balance they had about the same surplus in merchandise trade before and after 1974. But note well: their payments to foreign capital more than doubled between the two periods -- from $12.4 to $29.3 billion -- and that is what caused the total deficit to go up from $7.5 to $27 billion.

We can therefore properly conclude that oil is *not* the culprit. It is but another weight added to an overwhelmingly larger and older set of burdens, made much worse by the onset

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TABLE 2.
LATIN AMERICA AND THE CARIBBEAN (except Cuba)
BALANCE OF PAYMENTS ON CURRENT ACCOUNT
1974 to 1979

Net Balance on	*All Countries*	*Oil Exporters*	*Oil Importers*
	------*billions of dollars*------		
Merchandise Trade	− 11.4	+ 1.8	− 13.2
Freight and Insurance	− 15.8	− 9.4	− 6.4
Dividends and Interest	− 51.4	− 19.9	− 31.5
All other items	− 2.3	+ 0.5	− 2.8
Total	− 80.9	− 27.0	− 53.9

Notes and source are the same as for Table 1.

of stagnation in the core countries. The slowing up of the economies at the center of the imperialist system means a weakening of markets for, and in many cases prices of, Latin America's traditional raw material and food exports. The growth of protectionism further limits opportunities for those countries that are trying to get out of their dilemma by shifting to exports of manufactures. On the other hand, the spigot through which flows the payment of interest and dividends stays wide open. Indeed, it becomes significantly larger if only because of the rising interest rates, another by-product of stagnation.*

What does all this add up to? As long as the countries of Latin America and the rest of the Third World remain enmeshed in a system of imperialist relations that generates such huge payments of tribute to foreign capital, the chains that bind the periphery to the core can only get stronger and heavier. For within this framework the only way they can cope with persistent deficits in their balance of payments is to attract still more foreign capital and more loans to finance the deficits. But then the future outflow of dividends and interest, and hence the imbalance in the total balance of payments on

*In 1970 interest payments on the foreign debt of Latin American countries accounted for approximately 32 percent of service payments on the external public debt. In 1980 it reached almost 49 percent.

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current account, can only get bigger in an ever-expanding upward spiral.

President Reagan of course sees nothing wrong with such a "solution." He actively advocates the expansion of foreign investment as the way out for the Third World. Some critics have attacked his program because it is not directed at alleviating the poverty and misery of the masses in those countries. It would obviously be too much to expect Reagan and his advisers to understand or care about the real problems of the Third World. But it is hardly surprising that the man who aspires to be the leader of the imperialist world should promote the program that serves the interests of the capitalists in the metropoles.

The English, for example, are forced to lend their capital to other countries in order to create a market for their commodities. Over-production, the credit system, etc., are means by which capitalist production seeks to break through its own barriers and to produce over and above its own *limits*. Capitalist production, on the one hand, has this driving force; on the other hand, it only tolerates production commensurate with the profitable employment of existing capital. Hence crises arise, which simultaneously drive it onward and beyond [its own limits] and force it to put on seven-league boots, in order to reach a development of the productive forces which could only be achieved very slowly within its own limits.

Karl Marx, *Theories of Surplus-Value*, Part III, Chapter XX

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MARXISM FOR THE FEW, OR, LET 'EM EAT THEORY

By Doug Dowd

The years since the Second World War have unquestionably produced more people in the United States who see themselves as Marxists, more Marxist periodicals and books, more university and other classes taught by Marxists (in public and in "movement" schools), and more Marxists functioning in a broad range of community and other activist groups, than at any time in U.S. history, and all these by some multiple.

But, in the same years, and despite growing and widespread cynicism, skepticism, despair, and anger of ordinary working people concerning various aspects of the society (though seldom "the system"), the upsurge of Marxism has just as unquestionably coincided with—not, one trusts, caused—a noticeable decline in the overall political effectiveness of the left in the United States, and an associated dimming of prospects here for even a mildly improving, let alone a democratic socialist society. The Marxists, mostly out of, or still connected with, universities, tend to function like a suburban swimming pool: self-contained and self-purifying.

Meanwhile, oozing like a poisonous oil spill over the entire social landscape, is the right. Steadily and with increasing effectiveness, it has wheedled and whined and shouldered its way toward ever higher kinds and levels of power and authority, and even of affection and respect.

Social change takes place with twists and turns, not in

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straight lines; so current trends are unlikely to persist indefinitely: they could be reversed or they could accelerate into an even more dangerous zone. Because society and its processes are not fully understood, we are unable to do much more than fret and guess about the future as we seek to shape it politically: a perverse basis for a smidgeon of hope, if also for at least as much more gloom. Still, it is at best unsettling that the relationship between the amount of Marxist social analysis and the main drift of the U.S. political process since the Second World War appears to be inverse.

Why is this country that way? Might this melancholy and ominous condition be altered for the better, even a little? Are there any portents of desirable change?

It may seem paradoxical to assert that the main hope for *understanding and changing all this is to be found within the* Marxian analytical framework. The political ineffectuality of Marxism in the United States is the consequence most importantly of the nature and history of U.S. capitalism, a history that has created imposing obstacles for those seeking to build a socialist society. But also important in explaining this feebleness has been what U.S. Marxists have and have not done, who they are, and their "style."

U.S. capitalist history is clearly more substantially important than the behavior of Marxists in accounting for the limited impact of Marxism here. Because it has been much examined, we need only summarize the relevant aspects of that history. U.S. capitalism has been the most successful by far of all capitalist societies. Its success must be measured not just in its demonstrably superior economic performance for the past two centuries or so, but in its connected ability to make willing ideological captives of almost all the population—and thus to deflect, to deform, and to vitiate that "class consciousness" expected by Marx to assist capitalism in its own overthrow.

The principal and familiar sources of U.S. capitalist strength will be noted briefly; then we shall attempt to illuminate the ways in which U.S. Marxists have been socialized so as to be even less effective politically than might reasonably be expected, were only so-called objective processes to be taken as determining.

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II

That U.S. capitalism has been by its own standards so successful, both economically and sociopolitically, is not difficult to explain; nor is it as easy to explain as its vocal supporters think when, begging the question, they glibly attribute its achievements to the country's having been the most capitalistic of capitalisms, the least fettered by political and social interferences with profit-taking—with having been, in short, the most businesslike of all societies. All these characterizations of our history are in some sense apt, but they reverse cause and effect.

As this society settles steadily into the swamps of mindlessness, mindless analyses of the society and its history have naturally emerged and spread, aided and abetted by the diverse means in which its chief salespeople, nowadays Milton Friedman and Ronald Reagan, have been able to blanket us by their foggy messages. Needed social policies have been cut back from their always inadequate levels and will be even more so, or terminated entirely; meanwhile, harmful policies are expanded or introduced. An already bad socio-economic situation becomes intractably and savagely worse—while, perversely, opening the eyes and ears of the troubled populace even more to the simplistic nostrums of Professor F. and his henchmen of the "supply-side." Ah wilderness! And what a need, what an opportunity for radical analysis!

To say that the capitalist groupies are begging the question when they explain U.S. strength by its having been super-capitalistic requires an examination of other and more fundamental processes in our history. Doing so enables us to understand how and why the United States could be so different from, among others, France, Great Britain, Germany, and Italy—so different, and in so many ways.

The answers lie in a U.S. history replete with blessings absolutely unique to us: blessings of location, of human and nonhuman resources, of the timing of our appearance on history's stage. All of these showered down on U.S. capitalism from our colonial days and into the second half of this century. Meaning what?

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Meaning that anything and everything that might facilitate the emergence of industrial capitalism, whether from nature or in social relations, became available on the U.S. part of this continent, especially once we gained control over our own political processes after 1776.

Item: The U.S. was born into a world able to provide it with capital, with technology, and with labor as needed, cheaply and even freely (whether as slaves or as a free labor force raised to working age elsewhere).

Item: As the Europeans earned and received the epithet of imperialists from, among others, the people of the United States, those very people, from Plymouth Rock onward, were garnering the most bountiful empire of all, violently and at bargain basement prices, in the pleasing names of "Manifest Destiny," or "Westward Expansion." These were neither the first nor the last of the euphemisms that have allowed us to stifle our consciences, bolster our pride, and feed our arrogance as a people; to see ourselves as a special breed whose energy and ingenuity have made this nation the standard-bearer for all of humanity.

Item: Our assembling empire became an overflowing cornucopia of all that was needed and wanted by U.S. capitalism, on, over, and under the land, all well located and easily transported on our lakes and rivers and up and down and beyond our several coasts (or on canals and railroads financed through some combination of foreign and state capital). Descending upon our economic development process like manna from heaven were great quantities of fibers (cotton and wool), foodstuffs (grain, and meat, and everything else), timber, and minerals (including those very special minerals, gold, silver, and petroleum). Control over these vital resources alone assured the United States a very special lift beyond economic strength to economic supremacy.

Item: From the early nineteenth century, the U.S. economy grew strongly in rhythm with European economic development. The Europeans encouraged and financed and gobbled up our production in great and rising quantities. We came to economic adolescence and then to maturity as an economy in a seller's market for our exports and in a buyer's

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market for our imports, as foreigners competed with each other for both.

Item: The always high proportion of immigrants in our working population, for a variety of reasons combining what they left behind and what they hoped for here for themselves and their children, and taken together with the nourished dynamics of hate and envy revolving around color and religion and national backgrounds, meant that notwithstanding the harshness of labor conditions (except for a minority, and for short periods), the working people in the United States have been neither effectively class-conscious—however much they might hate the bosses—nor politically active, except now and then, here and there. Nor is it enough to blame the frequently corrupt and complacent trade-union leadership for any or all of this: in unions as in government, we get the leadership we put up with.

Item: The ability of this most successful of capitalisms to keep business costs down and profits up by exploiting its superabundant natural resources and its imported (and slave) labor was accomplished with accompanying sociopolitical immunity so far as all but a very few knew or cared—until very recently. And now, as the last years of the twentieth century howl in our faces, we confront environmental and social minor or major disasters of mounting intensity. Not least among these, of course, are hardening racism and enduring poverty, continuing the long-standing ability of those on top to rule over and exploit those so deeply divided by our history.

Item: But the cream of the historical jest is found in the habit of our people, including many of those most harmed by all this, still to accept (or to find themselves unable to refute) arguments that place the responsibility for our problems anywhere but upon the normal functioning of U.S. capitalism, anywhere but upon the shoulders of those who made the decisions, that made them the profits, that gained them the power to continue to make the decisions which add up to social rape. If any of this can be dealt with by paying for it with money, moreover, the payment will be made by the individual taxpayer and consumer, not by those whose thrust for profits and power created this society and its problems.

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Item: The art of mind management, so advanced today as to scare the hell out of many of its victims and even some of its makers, worked its powers effectively in the recent and distant pasts as well. Its major and abiding accomplishments are two: (1) as Paul Baran has put it, "to make us want what we don't need and need what we don't want"; and (2) of effectively blaming the victims of our social ills and, even more, of inducing the victims to blame themselves—perhaps the major triumph of individualism, American-style.

So it went and, despite serious and growing difficulties in the domestic and global political economy, so goes still the ideological hold of U.S. capitalism on the bulk of the population. For our purposes, this shows up in the stubborn inability—what Thorstein Veblen called "the trained incapacity"—of our people to think about this system *as* a system, let alone to work for a different one. U.S. history has surrounded the social consciousness of our people with a tough membrane that allows in only those ideas that can be absorbed harmlessly or that nourish the capitalist system.

Any assessment of the political weaknesses of radicals in the United States must therefore begin with the superstrength in this country of what Antonio Gramsci called "bourgeois ideological hegemony"—that is, the "consenting acceptance" by the people of capitalism's basic ways and means and standards. That the degrees of acceptance in the entire capitalist world have been substantial is revealed by capitalism's longevity, despite the hell and high water of this century's convulsions; but the United States holds the record in this respect—with few exceptions Americans' attitudes toward capitalism range from enthusiasm to narcosis. The difficulties facing Marxists here are thus formidable indeed. But the ways in which radical intellectuals have functioned have added to those difficulties.

III

There has not been a period in U.S. history in which resistance to the capitalist process has been absent; but for the past generation or so the role of radical intellectuals has been disproportionately great in that resistance. From our first years,

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both enslaved and free workers and liberal and radical intellectuals struggled and worked to tame or to displace the system. Focusing on that resistance in the twentieth century, and comparing the two decades before the First World War with the several since the Second World War (leaving aside the interwar period), it is striking to note that the quantitative and the qualitative aspects of both the workers' and the intellectuals' politics have not only changed, but that their relative positions in the political spectrum have reversed. (These changes, it must be kept in mind, took place against a major alteration in our educational structures: in absolute numbers there are more college graduates today than there were high school graduates before the First World War.)

In the period before 1914, the rising political tendency among U.S. workers was toward socialism. They led a strong and dynamic movement neither needing nor receiving much help from intellectuals. As James Weinstein has shown in his *Decline of Socialism*, the socialist movement in its heyday, from about 1910 to 1920, had over 250 newspapers and elected over 300 people to local and state offices scattered all over the country. As the 1920s began, there ensued a long and tortuous process in which the nature, the adherents, and the leadership of the socialist effort were all transformed, and the movement itself fragmented and diminished.

Nowadays the socialist movement in this country is a predominantly mental worker/student/intellectual effort, but these radical intellectuals (as distinct from intellectual radicals) are by no means the lineal descendants of the pre-First World War intellectuals. The latter were liberal reformers seeking, as has been said, "to bandage the running sores of capitalism": to clean up its slums, lessen its financial panics, reduce its corruption and instability, and the like. They energized the Progressive Movement and became the brain trust of Wilsonian liberalism. In a somewhat more volatile mixture, they guided much of the New Deal; and it was their political heirs who functioned in the 1960s in a way to earn the label of "cold war" or "corporate" liberals.

Today's radical intellectuals for the most part came into being as the bitter opponents of these older varieties of liberal

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reformers and their policies. While workers from the 1920s on moved from left to center and right, intellectuals bifurcated, most remaining where they have usually been, on dead center or the right; but with a large number moving toward and into—indeed, in some sense, becoming—the left.

It was the period after the Second World War that was critical in producing both the "pacification" of the working class and the "radicalization" of many among the now enormous numbers of university-trained people. Steadily rising levels of material well-being brought the industrial working class into effective harmony with the system; illumination of the means and consequences of achieving those levels here and abroad produced dissent and rage among university-connected radicals. Workers, with rare and widely noted exceptions, came overwhelmingly to eschew radicalism both in practice and in principle and, if anything, have placed themselves more often than not staunchly on the side of the status quo. When worker dissatisfaction and worry have surfaced in the recent past and in the stagflating present, it has almost always resulted in targeting the wrong enemies—social policies, Arabs, students, *et al*—and thus strengthening the hand of the real enemy: the capitalist system.

The effort to build a socialist society rests for the present in the hands mostly of radical intellectuals, and mostly by default. Reluctant though they are to grant it, it is they who are now one of the two main hopes for rebuilding an effective socialist movement in the United States. The other source of such hope, although dangerously so, is the bulk of the working population (whether or not seen by others or themselves as "working class") as it continues to founder on the sharp rocks of stagflation and as its hopes for beneficial change are pulverized by the political hammer blows of the Reagan administration. The number of radicals is substantial, if also impossible to know with anything resembling accuracy. Their analytical tendency, and increasingly so, is toward Marxism. Their background is the university, and, as will be seen, much of their energy, their style, and their arguments developed in response to their intellectual mentor-enemies, as well as to the larger social system. It is time now to examine the work of these left

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intellectuals, to note their positive contributions, and to seek to explain their self-inflicted wounds.

IV

The 1960s were the critical years for the emergence of radical organizations and caucuses in all the professions: in the academic crannies of the social sciences, the humanities, and the natural sciences, as well as in the practicing professions of architecture, engineering, law, and medicine. Associated with all these organizations are radical journals: and there are many journals (such as *Socialist Review*) that connect with no particular profession or discipline, as there are also a few radical newspapers (such as the weekly *In These Times*).

Most of these now quite numerous organizations and periodicals were born within the past fifteen years, although there are some few that go back farther, including *Science & Society* (1936), the weekly *(National) Guardian* (1948), and *Monthly Review* (1949). In one way or another all these served the diverse and vital functions of keeping left ideas alive and spirits warm through several decades in which that was a difficult and often risky job. More to the point, altogether these and other publications not cited were vital in making the radical efflorescence of the 1960s possible, whatever the numerous defects of both the nourishers and the nourished. Also important to note is that as the list of radical organizations and their publications and readers lengthened during the 1960s and 1970s, feeding and being fed by them was an ever-growing number of radical books, published by conventional and by a few radical publishing houses. In short, by the 1970s radical ideas, whether chic or not, had found a viable market.

All that was something new for the United States. The years up to and through the 1950s were rife with difficulties for those who sought radical analyses to read, or outlets for their own ideas, whether in classrooms or in print. Such difficulties still exist, but they are of lesser proportions. For at least ten years now, the left could not reasonably complain that its ineffectuality has been caused by its inability to be read or heard. The reasons, at least some of them within our reach, lie deeper.

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It will bear repeating that the major obstacle to effective political work in the United States is the absence of a mass-based political movement on the left, for which radical intellectuals are only minimally responsible. Be that as it may, there has been so little progress toward building a bridge between radical analyses and the daily lives of our people, that this gap would seem to be *the* problem for U.S. radicals. The fault does not lie entirely in our stars; notwithstanding the undoubted contributions the left has made in holding back the dark in recent years, it has the responsibility of confronting and diminishing its persisting inadequacies.

Looking closely at just one of the numerous radical organizations (the one I know best), the *Union for Radical Political Economics* (URPE), might help us to locate both the positive and the negative traits not only of this but of many other such organizations connected to university and professional life. URPE serves well for this purpose, as a leading species of its genus, for a variety of reasons: it was among the first of the social science organizations begun in the 1960s and has both lasted and grown; and it has done, and gone through, just about everything that the others have, for better and for worse.

V

URPE from its beginnings to the present has had a membership made up almost entirely of graduate students and younger faculty members in economics. It announced itself at its first conference in 1968, held at MIT. Three papers were delivered: (1) a presentation of Marxian economic theory, (2) a critique of conventional ("neoclassical") economic theory, and (3) a friendly critique of Marxism and an unfriendly critique of conventional economics from the vantage point of Thorstein Veblen. What URPE has done since then may be seen as a complex variation on that first conference, most especially as concerns elucidations of Marxian economic theory and criticisms of the mainstream: its audience remains economists, and its primary concern is economic theory.

There had been much more than just that, on and somewhat beneath the surface, in the attempts by URPE people to develop the theory of imperialism, for example, and persistent-

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ly to explore the ways in which Marxism does (and does not) illuminate women's history and conditions. But it is economic theory that occupies the center of the URPE stage; and what is *meant* by economic theory constitutes one of the major deficiencies of radical economics (as is also true for its conventional opponents). Until radicals in economics and other disciplines can get their heads screwed on straight as regards the uses and abuses of theory, their efforts cannot but be misdirected.

Despite all, to be sure, URPE has made a substantial and valuable contribution not only to the lives and work of its members, but also to many others not formally associated with it. Thus, its main periodical, the *Review of Radical Political Economics* (RRPE), has served students and teachers of economics with radical inclinations and has increased their numbers, whether as a serious publication that can be studied or, also of great importance, as one that can be written for. Until the RRPE it may be assumed that a substantial percentage of potentially fruitful radical ideas died stillborn for lack of an outlet—as is of course also true for disciplines other than economics. More elusively, though not less importantly, the upfront tendencies of (most?) radical economists today are facilitated by having an organization, publications, and, here and there, university programs. It is impossible to know what the psychological and intellectual damages were for the closet radicals of the earlier period, but it is certain that they were serious. The present is not as different from the past as day is from night, of course; nor has URPE been more than one of many factors in changing such matters for the better; but the present is still very different indeed from the past, and URPE has been significant in widening that difference.

URPE publishes more than RRPE, and does more than publish and have meetings. Directly and indirectly, it makes possible a variety of publications, aimed at academic and non-academic audiences: URPE "Reading Lists," to assist teachers at various levels; pamphlets originating both in its "Economics Education Project" and in response to local requests on specific issues; the growingly popular, readable, and very useful *Dollars & Sense,* an inexpensive monthly. Beyond publications, URPE has a "speaker's bureau," and its local chapters often

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work with trade unions for educational purposes, do what they can to defend their members against the never ending attempts to fire radicals, and participate in the larger political struggles of the time.

As an organization, finally, it must be said that all along the way URPE has sought not only to move the society toward socialism but also itself to function in exemplary ways that consciously break from the oppressive, exploitative, and elitist practices of capitalist society. Having said all this, it must also be said that, for URPE as well as for other new groups, between the ideal and the reality a shadow has fallen. It is the shadow of elitism, no less debilitating because it is unconscious and against the principles of those whose practice it is.

VI

In our history those who have fought against the status quo, whether to reform or to transform it, have typically and understandably been in resistance; they have had the quality, essentially, of protestors. Their achievements in presenting an alternative and compelling social vision to their actual or potential supporters have therefore been limited, at best. It has also meant fighting on the terrain of the enemy, and with its weapons. All this has clearly been true for the radical professional organizations.

The habits of mind and of style of radical intellectuals have been and are still learned at the feet, under the thumb, or in response to the blandishments of, their elitist, conventional super-individualistic, cheerfully haughty professors: professors who largely determine "their" students' destinies through grades, and support for jobs, grants, and promotions; professors who (dare one say it of incipient Marxists?) frequently function as father figures.

Even though one may be an incipient (or arrived) Marxist, one thus becomes habituated to asking particular questions in the particular ways of the academy, and to accepting the latter's standards for conducting and for judging investigations. There are no other standards for academics. Highest marks are given for the most abstract, the most "theoretical," the most formulistic and footnoted, and so it would seem, the most un-

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intelligible essays. It is not just that such essays appear in the journals of the radical professional organizations with distressing frequency, it is also, and even more importantly, that those who write them must spend so much time and energy on such things—and not spend it on what is so desperately needed and they could provide were they to set their minds to it: analytical and research efforts on the problems of ordinary people that rightly cause dissent and dissatisfaction, work that could be used to illuminate the relations between immediate issues and the fundamental nature of the capitalist system. Of course such work is being done: *Dollars & Sense*, already mentioned, does it for the economy, and there are workers' educational programs and "socialist schools" run by radicals. But not enough of that is done, and most of it is carried on as though in a college seminar; meanwhile, too much of so-called theoretical work devours the energies of what could be socially more useful minds—and continues to suffocate the potentialities of Marxism.

In short, those who edit, write for, and eagerly read the elegantly theoretical essays in all too many radical journals have allowed themselves to become entrapped in the academic mold. They write for each other in the arcane language of the professions; and, although they consciously and vigorously reject the methodology of bourgeois social science, they too often continue to work within those very confines. They indulge in theorizing out of thin air; they have a tendency to nest in Marxological disputation, to continue the interminable variations on how much surplus value will fit on the head of a pin, or the depths to which opposites interpenetrate. It has long been true that the elegant robes of conventional social science have, in the name of theory, provided a fig leaf of decency to an otherwise ugly reality; radicals can and must do more and better than that. They could become—and I use my words carefully—socialist missionaries or assistants to such missionaries; could use their privilege to end, rather than to become, a part of the perpetuation of privilege.

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VII

Finally, and to make matters worse, it is not only their academic mentors who have set partially false standards for radical intellectuals; so have the so-called revolutionary politics that came to prominence in the late 1960s and early 1970s. Just as in their intellectual work radicals must find a level less elegant, more concerned with demonstrable problems, and more easily communicable to other serious people (whether or not intellectuals), so too their political work must find a middle ground between the complacency of their fellow intellectuals (and most of the rest of the population) and the childlike posturing of those who present themselves as revolutionaries.

Almost all of the radical organizations (and periodicals) have been driven by struggles centering on this problem. The struggles between those imbued with revolutionary cant and almost everyone else, including the theoretical lords, have involved everything from office takeovers to, more persistently, wasted and misdirected efforts. Perhaps the greatest costs, however, are those arising from the shrill political style that has "succeeded" in typifying the conferences and most of the literature of such groups. Like the emphasis on high theory and its priestly language, the bristling political terminology of radical intellectuals has as its major effect the repelling of possible allies among those potentially interested.

It comes down to this, then: radicals, academics or not, have typically acted and written as though their language, their modes of expression, and their "consciousness," are the "correct" standards; others must come to them. The mountain must come to Mohammed. Quite apart from the questionable politics of being even unconsciously contemptuous of one's needed and sought-after allies, the question must be faced as to what can sensibly be meant by the term "false consciousness" and, a different question, by the term "true consciousness." That one would include, among other possible meanings of the term "false consciousness," Baran's notion of system-generated "false needs" and the self-defeating targeting of the wrong enemies by the mass of the population, is doubtless true. But the consciousness of radicals is equally riddled with illusions

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and self-defeating beliefs and actions. What is needed is for all of us to work toward developing our understanding, our social consciousness, so that *we* can know what our needs and our possibilities have been, are becoming, and could become. Intellectuals have a role in assisting that development; everyone does.

We live now in still one more period of capitalist history when the system has produced new and large troubles for itself and for its captives. Will those of us who have specialized in the study of capitalism's processes, and who are brought to horror and rage by its day-to-day activities, allow it once more to survive its "contradictions" and, in doing so, once more to emerge as an even more pervasive, even more dehumanizing system? Or shall we try, now, to learn better what we know and how to communicate it not only to each other but also and especially to the millions who only suspect, and fear, and hate?

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THE TAIWANESE "ECONOMIC MIRACLE"

By Sam Wynn

Development economists have lauded Taiwan as the quintessential "economic miracle." They point to the meteoric growth rate of Taiwanese industry and the distribution of income (there are no data on wealth) which is less unequal than in other "semi-industrialized" countries. Taiwan, in short, has achieved "growth with equity" under a relatively free market regime. It is thus presented as a model for other Third World nations.

From the viewpoint of dependency theorists, Taiwan presents a paradox. Taiwan has achieved almost full employment and authentic industrialization despite the fact that of all "peripheral" economies, it is perhaps the most "dependent." It has high debt and foreign-trade ratios; it is a popular place for foreign investment; and its political economy is a tableau of the petty and profound maneuvers of international power politics and diplomacy.

Just how generalizable is the Taiwan case to other Third World countries? What have been the critical factors in Taiwan's development? And where is Taiwan headed now?

The Colonial Period: 1895-1945

To answer these questions, a brief overview of Taiwan's unusual colonial experience is necessary. Japan ruled quite dif-

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ferently from the more jaded European colonizers. The economy which the Japanese fashioned in Taiwan was achieved by means of deliberate planning and government ownership of major resources (in partnership with private Japanese capitalists). The Japanese colonial administration of Taiwan's economy mirrored the dominance of the Meiji government in Japan proper, which distinguished it in important respects from the role played by the colonial offices of Britain and France. The "indirect rule" of the British and French involved the protection of private property with the assistance of local satraps. The rule of the Japanese imperialists was much more direct and involved production by the state itself as well as oppression by a ubiquitous Japanese police force.

From the start, Taiwan was regarded as an agricultural appendage to Japan. A two-crop economy (sugar and rice) was encouraged much in the classical imperial pattern. But one aspect sets Taiwan's colonial experience apart: primary production was not confined to a foreign enclave with limited spillover on subsistence agriculture. Many farmers with access to arable land produced rice or sugar for market to meet the ever escalating needs of Japanese consumers. Thus, agriculture in Taiwan was quickly and generally commercialized.

The Japanese administration also initiated a land reform similar to that undertaken in Meiji Japan. A parasitic class of *great* landlords was destroyed, while a middle stratum of landlords was given incentives to produce more, thus minimizing their opposition to taxation, while their tenants were squeezed to the maximum. To make it still more profitable for landlords (and smallholders) to expand production for the Japanese market, the colonialists pioneered important technological advances. New seed strains suitable to the Taiwanese ecology were experimented with and perfected by various research agencies supported by the state. The result was a rise in per capita incomes: indeed, the status of Taiwanese peasants in the first half of the twentieth century may have exceeded that of Japanese peasants—according to such welfare indices as tvpe of wearing apparel, housing, and local bank deposits.

The most enduring legacy of the Japanese occupation, however, was not so much the betterment of living standards as the building of a foundation for subsequent development. This

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structure encompassed agriculture, industry, and social overture—including law and order, something at which both the Japanese and later the Chinese Nationalists excelled.

The Japanese Interlude and Formosan Nationalism

Japanese colonialism has been romanticized by the middle class in Taiwan. The reasons are not hard to see. More than 80 percent of the island's population of 16 million people is composed of descendants of people who migrated from China beginning in the seventeenth century. The remainder is made up of mainlanders who arrived after the Second World War, and after 1949 when the island became the home of the defeated Guomindang forces.

Before 1949, the Guomindang treated Taiwan almost as an occupied country. Factories were stripped of equipment for a final battle for the mainland; the treasury was drained to pay off hordes of carpetbaggers; competent Formosans were dismissed. In March 1947 a mass rebellion against the mainland government erupted. The demands of the Formosan nationalist leaders were avowedly "reformist" (an end to corruption, managerial jobs for, and transfer of Japanese property to, Taiwanese), rather than revolutionary or even "rebellious" (the severing of ties with China). Guomindang forces quickly put down the uprising at the cost of 10,000 to 20,000 lives. Although the Communists were more active in the 1947 uprising than most accounts indicate, the Japanese colonial experience clearly helped determine that the most vocal liberation movement in Taiwan to date has had a distinctly bourgeois nationalist character.

Land to the Tiller

Agriculture was by far the most important sector in Taiwan in the late 1940s, accounting for twice as much of domestic product as industry and over 90 percent of exports. Not unnaturally, then, the attention of the Nationalists when they were driven from the mainland was first turned to reforming the countryside. This is not to suggest that rural Taiwan was at the boiling point when land was redistributed. The 1947 uprising had been largely urban based. But the potential

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threat of an impoverished peasantry had been driven home to the Nationalists while they were still on the mainland, and they reacted accordingly. Agriculture was reformed.

The end to landlordism and the creation of a class of smallholders was the inspiration of Dr. Sun Yat-sen and was supported by U.S. military and economic advisors. The Guomindang's land-to-the-tiller program had amounted to sheer rhetoric in China during the 1930s and 1940s because would-be expropriated landlords were stalwart supporters of the Nationalists. In Taiwan, by contrast, the mainlander government was under no obligation to the rural *Taiwanese* elite. Landlords were given land bonds in kind and stocks in public enterprise in exchange for the compulsory divestiture of their holdings. Some landlords profited from their stock ownership and became successful industrialists. Others went bankrupt. The landlord class as such sank into social oblivion, as the great landlord class had done half a century earlier.

Thus, almost overnight the countryside in Taiwan ceased to be oppressed and exploited by a small class of large landlords and became characterized by a large number of owner-operators with extremely small holdings. By 1973, almost 80 percent of the agricultural population was composed of owner-cultivators, and another tenth of part-owners. This undoubtedly accounts for the fact that income distribution (by household) is far less unequal in Taiwan than in most Third World countries and is more like the pattern in advanced capitalist countries—which is not to say, however, that income distribution is equitable.

Agriculture

The 1950s and 1960s witnessed impressive annual growth rates in agricultural output. In the decade and a half following the end of the Second World War, multiple cropping and the use of fertilizer accounted for most of the growth in agricultural output. By contrast, both structural shifts away from traditional crops, and the introduction of fixed capital (i.e., tractors and livestock) and variable capital inputs other than fertilizer (e.g., herbicides and insecticides) were mainly responsible for output gains commencing in the 1960s. But in both periods

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higher yields per hectare or the growth in the relative importance of higher-value crops, rather than increased labor input or the expansion of cultivated areas, accounted for the lion's share of growth. Labor productivity has risen since the war both per farm laborer and per working day. It is nevertheless highly significant that even in Taiwan, where small-scale agriculture has had such an impressive record, most of the gains in farm household income have come from *non*-farm sources. The contribution of off-farm work to farm household income rose from 29 percent in 1962 to 66 percent in 1972. The gap in per capita income between farm and non-farm families has widened since the 1950s and farm families have flooded the factories to slow or reverse the trend.

It is a defining characteristic of Taiwan's agriculture that a multiplicity of small peasant proprietors exist in conformity with the bourgeois model of individualistic family farming, while overseeing the whole process is a highly centralized government bureaucracy. The state distributes resources more or less equally among all peasants—as the market mechanism might not do. Hence, there have been relatively large gains for the many. A class of big landowners has not yet resurfaced (nor, consequently, has a potentially cohesive source of opposition to the state). Such centralism has enabled the state to dominate the crucial equation in economic development: the transfer of surplus from agriculture to industry.

Surplus Extraction and the State

Small-peasant farming is typically vexed by two problems. First, its productivity is generally low because it is technologically backward. Second, peasant production frustrates the extraction of a marketable surplus if only because at low per-capita income levels farmers may consume their incremental output rather than market it, i.e., they resist exploitation. In land-scarce Taiwan, however, the state acted directly to overcome the first problem. The second resolved itself as more capital-intensive agriculture raised per capita incomes and forced the peasantry to part with a larger share of its crop in order to obtain fertilizers and socially necessary items of consumption.

An additional problem historically encountered in peasant

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production is that when peasants become full-time producers for the market, they go heavily into debt; and, where land is alienable, they lose more and more of their land in default of loans and get reduced to the status of tenants. Economic history in Taiwan, by contrast, saw the state effectively preserve an agrarian structure of small-peasant holdings by stabilizing prices and by making credit generally available (i.e., by simulating a perfect credit market by having no market at all). The Jiang Jie-shi government also dispensed with foreign middlemen, who typically exercise monopoly power in rural areas of other economies, by itself buying cash crops cheap from the peasantry and selling them dear. Thus in Taiwan a self-exploiting peasantry working long hours to maximize production per hectare, and a superexploitative state using every available means to extract the fruit of the peasant's labor, worked together in a remarkably effective manner.

The only question which remains is: To *whose* advantage in particular? Clearly, the historical roots of the Guomindang's statism and its class affiliations are traceable not only to Japanese colonialism, but also to events on the mainland. It seems clear that the system of "bureaucratic capitalism" of late imperial China, with its total interpenetration of public and private interests, was transplanted to Taiwan along with the mainlanders. Under bureaucratic capitalism, public office (or office in public corporations) provided a source of private gain, and private enterprise was profitable only in close alliance with the state. The Jiang Jie-shi regime in Taiwan took a direct role in realizing surplus value produced by the peasantry and proletariat for the benefit of the increasingly dominant industrial capitalist class (by now composed of mainlanders as well as Taiwanese and foreign firms). While historical conditions were not propitious for economic development under bureaucratic capitalism in China, they were favorable in Taiwan. The 1953 land reform and subsequent agricultural development breathed new life into the Guomindang apparatus, and the bureaucratic capitalism of the Guomindang regime sustained the life of the reform and small-scale farming.

In summary, agriculture in Taiwan gave industrial capital a labor force, a surplus, cheap wage goods which enabled labor costs to be held down, and foreign exchange. Agriculture also

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managed to provide an important source of demand for Taiwan's industrial output and a degree of political stability sufficient to draw the most timid of foreign firms to the island. Agriculture has been sufficiently productive to set a floor under industrial wages: factory women who returned home to the farm during the depression of 1974-75 subsequently refused to return to wage employment at prevailing rates. A labor shortage symbolizes Taiwan's initiation into the problems of capitalist development rather than underdevelopment.

Industrialization*

Four myths have surrounded Taiwan's industrial performance.

(1) *Taiwan, unlike much of Latin America, resisted the temptations of infant industry protection and efforts to initiate a process of import-substitution industrialization.* Statistical information now available shows, on the contrary, that a regime of import substitution preceded the export of labor-intensive manufactures and was hardly a trivial episode in Taiwan's economic history. The scope of controls in the 1950s rivaled similar measures designed to protect infant industries in Third World countries notorious for protectionism. Protection in Taiwan, however, quickly outlived its usefulness. While it created new industries and yielded high profits to many, it also brought with it inflation, monopoly, excess capacity, a reliance on American donations of hard currency, and corruption. The economy, therefore, was propelled in the direction of export-led growth. Monetary and fiscal policies were redesigned, many imports were freed, and inflation was brought under control.

(2) *The seeds of industrialization bore fruit in Taiwan because the environment which supported it was free of state interference.* Nothing could be further from the truth. Government management of capital accumulation is as conspicuous in the export-oriented era of economic development as in the import-substitution phase. A battery of micro- and macro-economic policies is designed to seduce private (and public) investment into selected branches of production and into ex-

*For data and references on Taiwan's agriculture and industry, see Alice H. Amsden, "Taiwan's Economic History," *Modern China*, vol. 5, no. 3 (July 1979).

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ports. Exports, in turn, are subject to cartelization, marketing arrangements, etc., in an attempt to reduce "excessive" competition. The government is not wedded to any doctrinal policies, e.g., free market economics or monetarism, to achieve fast growth.

(3) *Industrialization in Taiwan remains superficial because production is limited to light manufactures.* Not so. Manufacturing has not been confined to "wigs and wallets." In the course of five plan periods, important structural changes have occurred within manufacturing. Textiles and food processing were the leading sectors during the first two plan periods (1953-56 and 1957-60). During the second plan period, however, the relative contribution of nondurable consumer goods, particularly food processing, declined, while intermediate goods (cement and paper) expanded. Chemicals (fertilizer, soda ash, plastics, and pharmaceuticals) assumed major importance during the third plan period (1961-64). Capital and durable goods (electrical and non-electrical machinery, and transport equipment) as well as petrochemical products grew enormously during the fourth and fifth plan periods (1965-68 and 1969-73) and continue to expand. Thus, there is no denying the ever-increasing sophistication of production within the manufacturing sector at the aggregate level.

Nevertheless, it should be emphasized that serious structural weaknesses do persist at the level of the firm. The existence of a large number of very small firms which do not appear to be upgrading their technology may be the Achilles heel of industrialization in Taiwan. The advances in breadth and depth of manufacturing in the aggregate must be qualified (as they must to a lesser degree in many advanced capitalist countries) in the light of the persistence of "industrial dualism."

(4) *Ownership of the economy rests in foreign hands.* Partly true, but public enterprise has allowed the Guomindang to buttress its own power vis-à-vis foreign capital. One of the fundamental consequences of public enterprise has been the control by the state rather than by the multinationals of key sectors of the economy. This is not to belittle the power of the multinationals, nor to suggest the absence of an organic solidarity between the productive activities of the state and foreign investors. In many sectors, particularly petroleum, they are

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allied to form a nucleus of expansion. But the state has held its own in several crucial respects. The government did not abandon its traditionally cautious and conservative attitude toward a foreign investment until the export boom of the 1960s had gotten underway. Only then did foreign firms begin arriving in Taiwan in significant numbers. Still, foreign investments are concentrated in electronics, chemicals, and textiles destined for export. The Jiang Jie-shi government cannot be said to have delivered Taiwan into foreign hands, either by letting merchant capital dominate foreign trade or by letting monopoly capital dominate manufacturing. Key manufacturing sectors remain wholly or partly in state hands. Still others, such as food processing, are shielded from foreign influence either by the relatively small size of the Taiwanese market or by the endurance of indigenous tastes for traditional goods.

In 1952, 56 percent of manufacturing output was by public corporations. By the early 1970s, the share of the public sector in manufacturing had fallen to less than 20 percent. Nevertheless, the government remains dominant in such fields as heavy machinery, steel, aluminum, shipbuilding, petroleum, synthetics, fertilizers, and last but not least banking. Almost all banks in Taiwan (foreign banks were not allowed to establish operations until 1969) are wholly or partially owned by the state. The lending activities of all financial institutions have been under strict state supervision (although this may be relaxing). If the government in Taiwan does not quite control the "commanding heights," it goes a long way toward doing so.

A Crisis of Labor

Small-scale industry and agriculture, both of which use labor intensively, face serious crises in the coming years. Cheap labor can no longer provide the main ingredient for growth for either agriculture or industry. To cope with the situation, the government has adopted "new agricultural policies" which feature the consolidation of landholdings and mechanization. Thus the curtain is falling on the small family farm, once the leading sector in Taiwan's golden age of agriculture.

The problem in industry is somewhat similar. Big business threatens small local capital not by producing competitive goods, but by bidding away labor at competitive prices. The

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future of this class of petty producers is pointed in the direction of paid employment. The transition from self-employment to wage labor is likely to be as socially explosive in industry as in agriculture.

Finally, although Taiwan's manufacturing sector is comparatively sophisticated, it remains to be seen if Taiwan can leap into the export of high-technology commodities which require relatively small inputs of unskilled workers.

A Special Case

Even a brief examination of Taiwan's situation suggests why it is a special case. Thus we have seen (1) the particular characteristics of Japanese imperialism and the scientific advances which agriculture made under it; and (2) the exogenously engineered land reform by the Guomindang in alliance with the Americans. To these unusual circumstances must be added the following: (3) The *guarantee* to Guomindang authority provided by U.S. foreign aid. There is a dispute as to how effective economically U.S. aid to Taiwan in fact has been, in part because so much of it went for militarism. What is indisputable is the increase in consumption which American relief made possible in the dismal years after the second World War. (4) Taiwan's export boom and dramatic growth rates coincided with an extraordinarily favorable international situation. Worldwide trade flows were growing at an unprecedented rate, and credit availability in the Eurodollar market was exceptionally easy. By contrast, would-be Taiwans today face a stagnant international situation. That Taiwan in particular, rather than other cheap-labor countries, became a successful exporter hinges on the aforementioned preconditions for exporting laid down during the Japanese occupation and import-substitution episode, as well as on Taiwan's intricate network of overseas Chinese traders. (5) Finally, while one cannot resort to crude cultural stereotypes to explain the success or failure of any development process, one cannot ignore cultural differences. The philosophy of Confucianism in Taiwan (and in South Korea and Japan as well), with its *sui generis* attitudes about work and authority, undoubtedly influence Taiwan's development capabilities. Other factors aside, it may be quite impossible to clone the Taiwan model in dissimilar cultures.

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Nonetheless, even if Taiwan is a "special case," the methodology necessary to analyze it is applicable to other countries. This is so because to understand Taiwan, it is necessary to study how its history, social structure, and step-wise economic development turned external pressures to advantage, just as it is necessary to study how local conditions interact with imperialism to great hardship and disadvantage elsewhere. If, by contrast, dependency indices such as openness to trade, international indebtedness, and foreign investment were made the primary analytical categories, Taiwan would remain an inexplicable paradox.

"Managers tend to look at their corporations the same way ancient emperors looked at their dominions," one [Wall Street] analyst said. "The thing they're interested in is how much of the map is the right color."

—*New York Times.* May 29, 1981

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BOOKS

E.P. THOMPSON AND ENGLISH CIVIL LIBERTIES

By Brian Morton

Writing by Candlelight by E.P. Thompson. London: Merlin Press, 1980. Distributed in the U.S. by Monthly Review Press. 286 pp.; paperback $6.95.

"For two decades the state, whether under Conservative or Labor administrations, has been taking liberties, and these liberties were once ours." E.P. Thompson's new book is a collection of essays, the ruling preoccupation of which is the "advance of authoritarianism" in contemporary British life. Many of these essays were occasioned by events which will be only slightly or not at all familiar to American readers; and most of them were written, not after the events, as balanced and comprehensive scholarly surveys, but in the midst of them, as frankly polemical interventions. I therefore did not expect, on first looking into *Writing by Candlelight*, that these essays would have much to offer American readers. But they do.

When the more recent of these articles were appearing in British newspapers and periodicals in 1979, one heard reports that Thompson had sunk into despair. In his Introduction he more or less admits that he had, though adding that since then he's found more reason for hope. Now certainly it's true that there's very little optimism in this book—at one point he states flatly that he doubts that the English will be able to pass on their liberties to posterity, or

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even that there'll be a posterity to pass them on to—but if despair is understood to be a condition of exhaustion, a giving-up, then I don't see how these essays can be read as the product of a mind in despair. The clear-headedness of the analysis, the concrete proposals for resistance to the authoritarian tide, even the style of presentation, Thompson's bony, witty, vigorous prose: all of these indicate a mind determined to know the worst, and keep fighting.

The heart of the book is a group of essays on the recent series of attacks by the British state on Britain's legal system. These have been all the more disarming for having been presented as a nonpolitical, merely "technical" series of reforms, and all the more disturbing for having been widely accepted as such. The attacks, for example, on the jury system—whereby a 10-to-2 majority, rather than unanimity, is now sufficient for a verdict, and whereby many offenses have been reclassified so that the accused is no longer entitled to a trial by jury at all—have been explained as modernizing, efficiency measures, designed to correct a troublesomely high "failure rate"—that is, too many acquittals. Thompson is expert at showing that behind this talk of efficiency, old and precious freedoms are being destroyed, and that even when the reformers actually believe efficiency to be their goal, such a goal—in cases where its necessary consequence is a loss of liberty—is a contemptible one. But, a historian by profession, he is even more expert at refuting the state's repeated claim that these changes are in the best traditions of British life—"for there has never been such a bonfire of our ancient laws and customs as has taken place in the last decade." In England as in America, the most anti-democratic forces have wrapped themselves in the flag, so that civil-libertarians and the left have been forced on the defensive, identified by definition as unpatriotic. Thompson's demonstration that the opposite is true might serve as a model for American libertarians: for we have the same task ahead of us here.

"This is the most remarkable fact about the state of the nation today," he writes.

> Libertarians, some of whom suppose themselves to be revolutionaries, are some of the last to defend our traditions, to care about who we are and how we have done things in the past, to search our precedents and to fight to uphold our constitution. And conservatives of all parties, some of whom are proud to think of themselves as reactionaries, are all for tearing down the structures of the past...and inculcating amnesia as to our particular traditions.

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That kind of claim, of course, could be made by anyone: what is so valuable in Thompson is the passionate exactingness with which he documents it. Thompson is the best kind of historian (he must be a marvelous teacher) because the past, for him, is still so active: so many ancient struggles are still in the balance, so many long-dead historical actors—ignored, perhaps in their own times—may yet be able to help us clarify ours. In another volume, discussing historical value judgments, Thompson wrote:

We may give our vote for Winstanley and for Swift; we may vote against Walpole and Sir Edwin Chadwick. Our vote will change nothing. And yet, in another sense, it may change everything. For we are saying that these values, and not those other values, are the ones. . . which we intend to enlarge and sustain in our own present. If we succeed, then we reach back into history and endow it with our own meanings: we shake Swift by the hand.

It is this sense of intimacy with the past, this "shaking Swift by the hand," which makes Thompson an inspiration and a delight. Many of his intellectual opponents here are prosecutors and judges, according to whom the preservation of the spirit of English law is a matter best left to the state: Thompson, refuting them, is like a resourceful attorney for the defense, calling up figures from the past to testify as to how England's best traditions have really been sustained. Not only Cobbett and Godwin, not only Burke and Mill: Thompson summons up hundreds of less frequently celebrated heroes, from the gentry who in 1688 first subjected the army to the control of parliament, to the 18th- and 19th-century juries who supported that precedent by maintaining sharp limits on the powers of the police; from Richard Carlile, jailed for printing the writings of Tom Paine "for whom prison became an editorial office," to the authors of the bulletin *State Research*, who today risk prosecution under the Official Secrets Act for compiling information on Britain's intelligence agencies—information obtained from public sources. One gradually comes to realize, as the testimony piles up, that Thompson's celebrated historiographical method—"history from below"—is neither a polemical strategy nor an arbitrary stance, but a method dictated by a sense of faithfulness to the truth of the English past. The point, I think, is that most of this history was actually *made* from below: that civil liberties in England have for the most part been "wrested *from* authority, not granted *by* it." Or as

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Thompson puts it in another place: "One way of reading our history is as an immensely protracted contest to subject our rulers to the rule of law." It is therefore hardly surprising that those who are now defending these liberties must do so in defiance of the state which claims to embody them.

For Thompson, the battle for civil liberties takes place on two fronts. By far the greatest amount of space is spent exposing the authoritarian tendencies of the British state; but he also confronts those sections of the left which have lost their "libertarian memories." He reviews the shabby or at best equivocal records of the Liberal, Labor, and Communist parties, and enters into a more extended debate with those tendencies within the intellectual left for whom the fight for democratic liberties is either futile (because the capitalist state "inevitably" tends toward authoritarianism) or deluded (because these rights are "bourgeois," and therefore worthless). Thompson reproves them for an indifference to history and to the sufferings and struggles of actual, non-theoretical *people*, and above all for a lack of respect for the long-standing democratic traditions which an intelligent socialist movement would seek to build on. Many of these leftists, for example, have been completely unconcerned about the attacks on the jury system. In response to them Thompson writes:

> The jury system is not a product of "bourgeois democracy" (to which it owes nothing) but a stubbornly maintained democratic *practice*. And, if we are to be purists, what other arrangement would revolutionaries propose? The notion of democracy as "self-activity," as being not the rule over the people by bureaucrats, "experts," or a substitutionist vanguard, but the rotation among all ordinary citizens of public responsibilities and roles, would appear to be uncommonly well fulfilled in this curious survival, in which everyman or everywoman must take upon themselves the serious role of judgment of their peers. I can imagine better laws, and I can imagine better jurors, but I cannot imagine a better system. I would like to think of the jury system as a lingering paradigm of an alternative mode of participatory self-government, a nucleus around which analogous modes might grow in our town halls, factories and streets.

Those familiar with *The Poverty of Theory*, Thompson's previous book, will recognize in this discussion the continuation of a long-standing debate between Thompson and some of a younger generation of English Marxists who have accused him at various

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times of "cultural nationalism," "empiricism," "romantic excess," and, worst of all, of "humanism." Now these are serious charges, and it must be admitted that the younger socialists have the force of considerable authority on their side: for in his avowed moralism, in his insistence that the historian must try to understand values on their own terms—and not presume them *a priori* to mask class interests—and in his willingness to imagine in detail what a socialist future might be like, Thompson breaks from traditions established by Marx himself. But far from deserving to be condemned, I think, this apostasy should be applauded. Questions which Marx, in 1867, might have been justified in treating with an aggressive dismissiveness—questions of morality, of culture, of the institutions proper to a socialist society—are today among the most important problems confronting socialist thought; and Thompson, along with other writers such as Raymond Williams who are working along similar lines, has had the intellectual honesty to realize this. This is all to his credit. As he put it in *The Poverty of Theory*: "Marx is on our side; we are not on the side of Marx."

If Marx were able to read Thompson's writings, I would imagine, he would respect his historical studies but would find him, on the whole, too sentimental. It is a basic premise of Marxism, for example, that communism is possible only where a certain level of material abundance has been reached. Thompson would probably give his assent to this; but there is in him at least something of the 19th-century "ethical socialist"—that type so scorned by Marx—who would seek to build a just and egalitarian society no matter what the material conditions, no matter how "objectively" impossible it might be. In an essay in *Writing by Candlelight* about the miners' strike of 1972, Thompson tells us about the old "pit-men of the North-East": they "supported the campaign for the Reform Bill of 1832, but some of them were under the misapprehension that 'universal suffrage' meant 'universal suffering.' More curious still, such a slogan commended itself to them. If times were hard, so that some suffered, then all should suffer alike." In his humanity, in his deep generosity, Thompson bears a strong resemblance to those pit-men.

There are parts of this book which American readers should find especially invigorating. When Thompson tells us that a "Watergate" never could have happened in England—"the British press would neither have been able nor have dared to disclose the facts

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about it"—and refers to this episode as a victory of the American liberal tradition, the American reader may be excused for recalling only with surprise that there *is* an American liberal tradition. Along the same lines, Thompson reminds us that the British have nothing resembling our Freedom of Information Act, and haven't come nearly as far as we have in exposing the disreputable activities of the state's security organs. That the British left spends a considerable amount of time worrying about the CIA, according to Thompson, is not only because the CIA has in fact done a considerable amount of meddling in British affairs, but also because their own agencies have been so much more successful in keeping their achievements hidden.

I don't mean to suggest, of course, that any of this should make us complacent: rather, I'm suggesting that these are reasons not to despair, when reasons not to despair are desperately needed. To be reminded of how substantial our accomplishments have been may help stiffen our spines, may give us more resolve to defend them, in a time when those accomplishments are under siege.

Writing by Candlelight isn't only about civil liberties: the breadth of its concerns is wider than I've been able to indicate. There are pieces here on Harold Wilson, on Nehru, on the power workers' strike of 1970, on the European Nuclear Disarmament Campaign. I have also failed to indicate some of the book's problems. Since many of these essays were written as interventions, in the midst of political controversies, some of them feel fragmentary, incomplete. The American reader may wish—as this American reader wished—that Thompson had provided more information, in postscripts, as to how these controversies turned out. At times his arguments suffer from having been put together, as I take it, so quickly: an explanation of why the Labor Party's civil-liberties record has been so poor is notably "impressionistic" and unconvincing; an argument against England's joining the European Economic Community consists of little more than hints. There are so many important questions about modern England that *aren't* explored in this book, and what *is* here is so stimulating, that I found myself wishing, at times, that Thompson had written a more comprehensive, more rigorous work: a study of contemporary England that could stand beside *The Making of the English Working Class*. This book isn't that. But if that earlier book is still Thompson's *Capital*—so far—then *Writing by Candlelight* is his entirely honora-

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ble equivalent to Marx's writings on the 1848 French Revolution: the record of a passionate intelligence, informed by a deep sense of history, responding to contemporary events as they occur. There is something particularly inspiring in this.

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CUBA AND THE PROBLEM OF SOCIALIST DEVELOPMENT

By Frank T. Fitzgerald

Revolution and Economic Development in Cuba by Arthur MacEwan. New York: St. Martin's Press, 1981. 265 pp., $22.50.

In the 1960s, Cuban struggles to create a participatory socialism and to embolden a new anti-imperialist upsurge struck a sympathetic chord within the U.S. movement of those days. Interest in the Cuban experiment amongst U.S. leftists was high. But in the early 1970s, as Cuba moved closer to the Soviet Union and as the movement (temporarily) waned, that interest palpably subsided. Many left journals in this country began to ignore the latest developments in Cuba, and the number of left-inspired books on Cuba rapidly dwindled.

While a small group of U.S. radicals continue to write on Cuba, mostly for specialized or academic journals, the big books—offering overall interpretations of the direction and shape of Cuban socialism—have in the last decade been written by non-left scholars.[1] If for no other reason—and fortunately there are many others—this first book-length study of socialist development in Cuba by an American Marxist in over a decade deserves the attention of the U.S. left.

Arthur MacEwan has written a book of original and often subtle interpretation. He offers few new facts, concentrating instead on elaborating a general theory of socialist transition with which to analyze Cuban development anew.

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His theory, which focuses on the requirements and contradictions of socialism, builds on the notion that the socialist advances of one period shape the contradictions of the next. These contradictions may then be resolved either by further socialist advance or by deviation from the socialist road. MacEwan thus moves beyond perspectives which, often apologetically, see socialist development as linear and inevitable or view the contradictions of that development as resulting solely from "capitalist leftovers."

Specifically, MacEwan argues that in Cuba the rapid collectivization of the economy and the redistributional reforms of the early sixties both set the stage for further socialist advance *and* for the politico-economic crisis of 1970. The failure in that year to attain the ten million tons of sugar upon which Fidel had staked the honor of the revolution was caused, at least in part, by low productivity and high absenteeism in the sugar sector. Radical redistribution thus consolidated the revolution and solidified the mass political commitment necessary for motion forward, and it also demolished old forms of capitalist rule through the market. But it did not create new forms of socialist organization sufficiently powerful to elicit effective and consistent work effort from the population.

MacEwan puts "the problem of socialist organization" at the center of his theory of the transition. Capitalist organization coordinates economic units through market mechanisms and regulates activities within economic units through managerial control backed up by the labor market. Socialist organization, by contrast, coordinates economic processes through effective exercise of working-class power. MacEwan tells us that socialist organization requires a complex of human abilities and behavioral patterns which encompass effective work habits and discipline, technical skills, administrative and coordinative relationships, effective incentives and motivation, and abilities and channels for political participation.

According to MacEwan, neither Cuba's pre-revolutionary dependent capitalism nor the short military struggle which brought the July 26 Movement to power without thoroughly involving the popular masses was able to create a working class with high-level organizational capacity. This lack, to which the revolutionary leadership paid insufficient attention and which it was only partially able to overcome through educational and other programs, MacEwan sees as the key to Cuba's difficulties in the late 1960s.

This perspective enables the author to develop many new and

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fascinating insights into Cuban development, but it leads him into problems as well. On the one hand, the concept of "socialist organization" as MacEwan uses it is too global. Conflating work habits, technical expertise, administrative skills, and political capacities often confuses rather than clarifies his argument. Each of these problems has its own peculiar dimensions, and each would benefit from separate discussion.

On the other hand, MacEwan often uses his concept too narrowly. He emphasizes the skills and abilities necessary for "socialist organization," but fails to focus sufficiently on the organizational structures required for the effective exercise of skills. Structures without skills are empty forms, but skills need structures if they are to develop rather than atrophy. While partially a response to insufficient skills, the overcentralization of political and economic decision-making which characterized Cuba in the 1960s doubtless inhibited the development of such skills. MacEwan notes this himself, but fails to analyze it in any depth. Closer attention to this contradiction of socialist development would have enriched both his historical analysis and his theory of socialist organization.

In studying Cuban development, MacEwan necessarily deals again with the much-discussed question of incentives, which he treated with originality in an earlier article.[2] His formulations in this book show a considerable advance in his understanding of the complexities of the issues involved. Formerly he equated collective incentives with equality, which he correctly saw as forming a basis for collective consciousness and therefore for working-class power. He now recognizes, echoing an analysis of the Cuban incentive question which I put forth a few years ago,[3] that while collective incentives generate income-equality, over-reliance on them may generate vast inequality in the expenditure of productive effort. Especially in the early stages of socialist transition, when collective consciousness is still unevenly distributed within the population, equal remuneration allows the less conscientious to loaf without material penalty and in effect to live off the labor of their more conscientious comrades. Resentments and tensions are likely to erupt within the working class, as the evidence suggests they did in Cuba in the late 1960s, and the collective consciousness of all will be undermined.

In other words, successful socialist incentive systems are necessarily mixed and reasonably well balanced. They need to admit limited income-inequality, preferably linked to productivity, in

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order to elicit expenditures of productive effort which are as equal as possible. A balance must be struck between relative income-equality and relative effort-equality. It is in part this more sophisticated understanding of the incentive question which moves MacEwan, as it did me, to evaluate positively Cuba's limited re-emphasis on personal material incentives after 1970.

It has become fashionable among some scholars (and State Department officials) to analyze Cuba in terms of its closeness to one or another socialist "model" and to make facile generalizations about the "Sovietization" of Cuba after 1970.[4] A further virtue of MacEwan's approach is its historical concreteness, which allows him to identify the peculiarities of Cuban development and its differences from that of either the Soviet Union or China. He analyzes in some depth the distinctiveness of Cuba's revolutionary war, its rural class structure, its urban/rural division, its development strategies, and (unfortunately in a more superficial fashion) its post-1970 institutions of political participation. MacEwan does not deny the weight of Soviet influence in Cuba, but he does convincingly reject any notion of Cuba as a small-scale replica of the Soviet system.

Unfortunately, a short review cannot but do some violence to a work so rich in interpretation and theory. Arthur MacEwan's book needs to be read to be fully appreciated. It is to be hoped that North American leftists will give MacEwan the attention he deserves, and that attention will rekindle interest in an important and still dynamic, if not unproblematic, experiment in socialist transition.

NOTES

1. Carmelo Mesa-Lago, *Cuba in the 1970s* (Albuquerque: University of New Mexico Press, first edition 1974, second revised edition 1978); Edward González, *Cuba Under Castro* (Boston: Houghton Mifflin Co., 1974); Jorge I. Domínguez, *Cuba: Revolution and Order* (Cambridge: Harvard University Press, 1978).
2. Arthur MacEwan, "Incentives, Equality and Power in Revolutionary Cuba," *Socialist Revolution*, no. 23 (1975).
3. Frank T. Fitzgerald, "A Critique of the 'Sovietization of Cuba' Thesis," *Science and Society* (Spring 1978).
4. See especially Mesa-Lago, but also González and Domínguez.

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An Important Announcement from the Editors of LINE OF MARCH

The question of the class character of the Soviet Union has become a matter of significant theoretical debate on the left during recent years. The thrust of this debate has been to challenge the prevailing view that the Soviet Union and other countries generally described as socialist are indeed socialist.

Perhaps the most significant of the theses holding that the Soviet Union is not socialist is Paul Sweezy's Theory of the Post-Revolutionary Society which argues that the USSR is a social formation of a new type—neither capitalist nor socialist. To take up a wide-ranging discussion of Sweezy's thesis, the editors of *Line of March* have organized

A Symposium on Paul Sweezy's Theory of Post-Revolutionary Society

This symposium appears in the current issue (#10) of *Line of March*. Participants are: Jonathan Aurthur, author of *Socialism in the Soviet Union*, Al Szymanski, author of *Is The Red Flag Flying?*, and Tom Angotti and John Zilber of the Soviet Union Study Project. Also in the current issue: *Turning Point in Poland*, an analysis of the politics of Solidarity and the present crisis, by the editors of *Line of March*; and *Reds in Ragtime*, a review of the current films, by Irwin Silber.

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CORRESPONDENCE

RETURN OF DR. STRANGELOVE?

By Christian Bay

A political climate has been evolving, in which sheer madness is taken to be evidence of good political sense; paranoia seems to be on its way into the highest councils of the United States government.

Mr. Haig's recent outburst during a televised press conference in Brussels, where he attended a NATO Council meeting, was frightening. He was asked by an English journalist about possible double standards in the American harsh condemnation of Russian support for the Polish dictatorship, in view of the direct and open U.S. military and political support of far bloodier dictatorships in Central America. It was with great difficulty that Mr. Haig controlled his fury, and managed to come up with a semblance of a reply.

The latest gambit of Mr. Haig was to cut short to one day his long-awaited meeting with his Soviet counterpart, Mr. Gromyko, and to announce in advance that he would insist on talking about Poland prior to, or instead of, arms issues.

He evidently thinks that the insistent European demands for serious efforts to slow down the arms race can be set aside until the USSR stops acting like an independent superpower, trampling over other nations' rights to self-determination; only the United States is to have this privilege. It appears that, as

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Mr. Haig views the world today, even going through the motions of arms negotiations, let alone investing serious efforts in a struggle for multilateral arms reductions, are favors that Washington may or may not choose to bestow on Moscow, depending on Washington's judgment of the Kremlin's good behavior. "Linkage" is the official word for this arrogant, aggressive posture.

Paradoxically, by the standards of the Reagan administration Mr. Haig is in some ways a moderate. He does register, and perhaps even dimly understands, that most Europeans dread the prospects of even a "limited" nuclear war, and that many are very afraid of the new arms racers in Washington (more so than they are afraid of the more cautious and defensive Russians, who in principle will settle for arms parity rather than superiority). Yet Mr. Haig may well be the most dangerous man in Washington, because, on several occasions, he has appeared to be so unstable. Might we not all be incinerated some day, for no good reason, because *he* explodes?

Thirty-odd years ago another unstable man held high office in Washington. He was a major influence pushing toward the unprecedented superpower arms race of the last three decades, with the United States always in the lead, in investments in research, production, and deployment of conventional and above all nuclear military hardware. James T. Forrestal was the first American Secretary of Defense (1947/49), after serving as Secretary of the Navy (1944/47). His semi-paranoid view of the world was a political asset at the time when the Cold War was launched. Luckily for all of us, the Cold War did not lead to the Third World War in those years, but Mr. Forrestal came to a bad end. After his retirement in 1949 he was hospitalized as a paranoid schizophrenic and soon afterward committed suicide. A personal tragedy, but at least he did not take the rest of the world with him.

Given the obvious hazards of mental disturbance in high places, is it not evident that the survival of Western civilization, and of every human civilization, now requires multilateral nuclear disarmament as its most urgent *defense need*? How much longer dare we take the risk of *not* resisting, with every nonviolent means at hand, the present trends toward macho-madness in the highest councils in the world's leading superpower?

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I AM MISINFORMED

By Blase Bonpane

"Executive Office of the President," chirps the operator when one calls 202-456-7639. I politely petition, "I would like to request an end to the intervention of the United States in El Salvador." The operator retorts, "I am sorry, sir, you are misinformed, the United States is not intervening in El Salvador." Stunned, I respond, "But we do have troops there, and helicopters, and napalm and white phosphorus...and a government, and...." The carefully programmed operator (it was not a tape) continued, "I'm sorry, sir, you are misinformed."

I hung up, just a little off base. But wait a minute, this is the same White House that has just certified a concerted and significant effort has been made to respect human rights in El Salvador.The certification explains everything. Notice how many people are spending their vacations in sunny El Salvador. See the happy peasants carrying their decapitated children in their colorful ox carts! Such a White House would have awarded a similar certification to the administration of Dachau.

What worries me is that such an administration might just want to repeat the human-rights achievements of the government of El Salvador right here at home. Without a doubt, what has been certified is a lie. A registered lie, certified before God, before history, and for judgment.

And now goose-stepping fascists from Argentina are called in to Honduras to revitalize the remnants of Somoza's National Guard. Maybe the White House would like to certify that 30,000 people have not disappeared in Argentina. Meanwhile, here at home, Congress-people of good will are sponsoring House Joint Resolution 399 to sus-

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pend all military aid to El Salvador until Congress is satisfied that human-rights conditions have been met.

Apparently only certified fiends can be friends of this administration. The Nazis of Argentina and Chile are considered to be part of the "free world." The governments of El Salvador and Guatemala are judged to be in the process of conducting elections at a time when every level head on earth knows that what is being conducted in these countries is genocide.

And then there is the Atlacatl Brigade. This brigade is certified by the United States. And it will be expanded by over 1,500 Salvadoran troops now training at Ft. Benning and Ft. Bragg. The expertise of the U.S.-trained Atlacatl Brigade is in killing children and the aged, raping women, and conducting diabolical torture. They're afraid of the people's army of El Salvador and they can't fight worth a damn.

It was a moral imperative for the people of El Salvador to destroy the helicopters sent from the United States. These machines are used to conduct mass murder and Roman Catholics are not free to watch their families be killed before their eyes. They are obliged to respond, and they did. Every helicopter has to be destroyed. It is a question of Christian moral theology.

George Washington could not tell a lie. But contemporary Washington has no such limitations. For some years I had wondered just what the scriptural reference to the sin against the Holy Spirit included. Now, at least, I am certain to have an example of the sin, if not a full definition. The sin against the Holy Spirit is to certify the presence of human rights in the government of contemporary El Salvador. The author of such a sin against the Holy Spirit is said to find forgiveness neither in this world nor in the world to come.

But the White House says I am misinformed.

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THE CLASSIC CONTRADICTION OF CAPITALISM

By Jonathan Penzner

The April 1981 issue of MR included an article entitled "Marxism" by Bertell Ollman which in a very small space sums up Karl Marx's theory of capitalism. It was awe-inspiring to find so much said so concisely. I had a problem, though, with this paragraph (p. 41):

> Paradoxically, the amount of surplus value is also the source of capitalism's greatest weakness. Because only a part of their product is returned to them as wages, the workers, as consumers, cannot buy a large portion of what they produce. Under pressure from the constant growth of the total product, the capitalists periodically fail to find new markets to take up the slack. This leads to crises of "overproduction," capitalism's classic contradiction, in which people are forced to live on too little because they have produced too much.

The second sentence—about workers and what portion of their product they can afford to "buy back"—reminded me of what my father told me when I was a kid. Capitalism can't work, he'd say, because the worker can't buy back his product. Using the silverware at the dinner table, he'd explain about surplus value and point to the growing pile of forks, knives, and spoons which the workers couldn't afford to "buy back" because of their "incomplete" wages.

I recently found another version of this idea in a Soviet textbook called *Political Economy* written by A. Leontiev in the late thirties

Jonathan Penzner is a theatrical stage manager (a member of Actors Equity Association) and a multimedia computer programmer.

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(International Publishers, no date). Explaining capitalism's drive for profit via the unlimited expansion of production, Leontiev says that capitalism meets "impassable barriers. . . . These barriers have their roots in the fact that the consuming power of the broad masses is limited because of their exploitation by capital." (p. 183)

In my not extensive reading of old Karl himself, it seems incorrect to say, as Ollman implies by the juxtaposition of the four sentences cited above, that *because* workers cannot buy "a large portion" (how large?) of what they produce, there is "overproduction." While Ollman never goes as far as my father did in claiming that this is the reason capitalism can't work, yet that idea was (and perhaps still is, in some circles) a popularized version of what Marx said. At least Leontiev indicates that the barriers to capitalist expansion "have their roots in" but are not *caused* by capital's lust for robbing labor of as much as possible.

Am I splitting hairs or is this still an oversimplification? My purpose here is not to attack Ollman for being too simple. A reader totally innocent of Marx will gain valuable insights. Isn't there something missing, however, from Ollman's statement, my father's proposition, and Leontiev's position too? Hasn't something been left out?

THE EDITORS COMMENT

We agree that something is missing from all three of the formulations cited by Jonathan Penzner.

The fallacy of the theory of the workers' inability to buy back their whole product is apparent if we reflect that a large part of this product takes the form of means of production (raw materials, buildings, machines, etc.) which workers do not and could not consume and which, under capitalism, can be put to productive use only by capitalists. A portion of this output of means of production replaces what is used up (raw materials) or worn out, and the latter is paid for from depreciation charges. The remainder, constituting a net addition to the stock of means of production, is paid for out of the capitalists' surplus value.

This does not mean, however, that overproduction is impossible or that Ollman is wrong to call it capitalism's "classic contradiction."

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The problem is, in truth, an extremely complicated one, which accounts for the fact that it has been the center of heated and voluminous debates ever since the early days of capitalism.

Marx divided production into two categories, Department I producing means of production and Department II consumption goods. As already noted, the demand for the output of Department I comes entirely from capitalists. Capitalists also contribute part of the demand for the output of Department II, but a much larger share comes from workers. Given the nature of capitalists as profit-maximizers and unremitting capital accumulators, they "naturally" seek to pay workers as little as they can get away with, and continually to raise their (the capitalists') own rate of accumulation. This means that normal capitalist behavior acts continuously to restrain the increase in demand for consumption goods (Department II) and at the same time to enlarge the demand for means of production (Department I).

Many economists (including some Marxists) have argued that there is no contradiction here, that no necessary relationship exists between the feasible growth rates of the two departments. Put in other terms, what they are saying in effect is that capitalists can successfully and profitably build up Department I (production of means of production) regardless of what is happening to consumption. The Russian Marxist Tugan-Baranowsky, who wrote around the turn of the century, went so far as to contend that capitalism could function smoothly even with a steady *decline* in the volume of consumption: all that would be necessary would be that means of production should be used to produce even larger quantities of means of production, thus taking up the slack generated by the shrinkage of Department II.

Other economists—including, we believe, a large majority of Marxists—have rejected this line of reasoning, holding that for the system to work smoothly the two departments must *in the long run* grow in tandem. They agree that for a while Department I can expand *as though* it were independent and that this can and repeatedly does give capitalists the illusion that the more profits they make and the faster they accumulate, the more prosperous the economy will be. (Reaganomics is based squarely on this illusion!) But the reality is that these are periods of overproduction which cannot be sustained. Sooner or later—many factors, technological as well historical in a broader sense, affect the length of time—the weak growth of final demand for consumption goods works its way through the system and brings the boom to an end. Understood in this sense, overproduction is indeed a very real consequence of the normal functioning of

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capitalism and can appropriately be called the system's "classic contradiction"—though it is of course far from being the only, or even the main, contradiction of capitalism.

Marx himself did not spell out a theory along these lines in any detailed or systematic way. But there are numerous passages scattered through his writings which are fully consistent with such a theory and, so far as we are aware, none which contradict it. But the final test of the validity of the theory is not what Marx or any other economists have said or implied, but the last two hundred years of capitalist history. And in this respect it seems to us that the verdict in favor is quite clear and unambiguous.

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Apart from the eloquent endorsements quoted on the back cover of the book, here are some recent comments that can be used to support your efforts: (1) "The enclosed check is for 20 copies of *Protest and Survive* with a 40 percent discount. The American reprint of the book is clearly the most useful book available for disarmament activists." — Rich Hutchinson, Disarmament Program, Midwest Regional Office, American Friends Service Committee. (It should be added, however, that the American edition is more than a reprint of the best-selling English edition: it also contains additional material specially directed to an American audience, including a powerful new introduction by Daniel Ellsberg.) (2) "*Protest and Survive* re-kindles a light of sanity that has too long been burning low. It re-teaches the lesson that there are no winners in nuclear war and that the continual stockpiling of more and more nuclear devices is suicidal. It is a call to action that is reasonable, persuasive, and sometimes eloquent." — David Baltimore, Professor at MIT, Nobel Prize winner in Biology.

We are sad to have to report the discontinuance of the Spanish language edition of MR which has been published in Barcelona for the last five years. The comrades who have kept the Spanish edition alive against formidable odds for so long write that, for the present at least, the decline of the Spanish left and the confusion reigning among its disparate elements are so bad that circulation and financial support for the magazine have fallen below the minimum necessary to sustain publication. They hope that this gloomy situation is temporary and that it may be possible to resume publication in the not too distant future. We hope so too and have promised to cooperate in any way we can to hasten the day.

As one of the plaintiffs filing a federal lawsuit challenging the government's seizure of Cuban periodicals and its enforcement of licensing requirements, MR has received from the Center for Constitutional Rights, acting as attorney for the plaintiffs, a letter informing us that the Treasury Department "has largely abandoned the restrictive policies we challenged and has instructed Customs to permit the unlicensed import of single copies of books, magazines, newspapers, posters, records, and the like. Payment may now be made to the Cubans for these materials." The letter continues: "These measures constitute a significant retreat by the government.... However, we have certain concerns about the adequacy of the government's 'instructions' to Customs. Therefore we are asking for a meeting with attorneys from the Justice Department and the Treasury Department to push for a better settlement. If our concerns are not met informally, we will move ahead with the lawsuit to get them resolved by the court." This is an important case both in its own right and as a precedent, and we were gratified to learn that it seems to be progressing toward a satisfactory conclusion.

Our good friend Russ Christiansen of Bangor, Maine, whose business card reads "People's Lawyer" and whose past record makes the description fully credible, has reported an incident which he thinks should have a lesson for other MR readers. Lacking the money to buy Daniel Singer's *Road to Gdansk*, he asked the local library to acquire it, which they did. He got excited about it and contacted a friend who does book reviews for the local "monopoly press." She liked it too and phoned the paper and asked if they would pay her to review it. They agreed and said they would also pay the library's late fee for her taking the book from him and not returning it on time. Russ concludes: "It turned out that it was better than my buying it, because this process is leading to a much wider readership — which is the point of this note." Thanks and we hope others are moved to do likewise.

Did you ever hear of a "Radical Humor Festival"? Well, now you have. It will be held Thursday evening, April 22, and all day Friday and Saturday, April 23 and 24, at various locations in and around New York University (Washington Square). The program is too long and complicated to be included here, so the best we can do is suggest that if you are interested in contributing, participating, or attending you should call (212) 787-1784 between 4 and 7 p.m. after you receive this issue (provided the U.S. mails are accommodating enough to deliver it before it is too late).

There is a typographical error in the footnote on p. 5 of the Review of the Month in the February issue of MR. "1919" on line 5 of the note should read "1929."

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